



3 Reasons I'll Never Sell This 1 TSX Stock

Description

When looking to invest in **TSX** stocks, it's common for investors to look for businesses with near-term potential. This can be important, as you don't want to tie up money in the short run with a stock that's going to underperform.

However, short-term performance is only one consideration when buying stocks. In addition to finding stocks with near-term catalysts, investors should also be looking for those businesses they can own for the long term.

It's always a nice feeling to find a new investment, but finding those forever stocks is the dream.

When looking to buy a stock you think you could hold forever, it will quickly become apparent that very few stocks meet the criteria.

That's why owning these businesses is so crucial, considering there are very few names with the quality and potential of being a forever stock.

Investors often hold onto stocks that have done well in the past. But once they have underperformed for some time, you have to know when to cut them loose. Holding on too long can hurt your opportunity cost and impact your long-term returns.

So, when you find those high-quality stocks that you can own for years, it's crucial you gain that exposure and then look to dollar cost average through the duration of that holding.

One of my favourite stocks that I could see myself holding forever is **Algonquin Power and Utilities** ([TSX:AQN](#))([NYSE:AQN](#)).

Defensive TSX stock

Algonquin is most often thought of as a utility stock. That's fair considering about two-thirds of its business comes from utility assets. This is the first reason why I believe Algonquin has the potential to

be held long term. The utility sector is well known to be a highly [recession-proof](#) sector.

In general, the services that utilities provide are essential. Customers can't go without water, gas, or electricity. Therefore, even with a shrinking economy and higher unemployment that we see during recessions, you can expect the utility's income to remain robust.

Having a highly recession-proof business is one of the best ways to lower the risk of a TSX stock. However, Algonquin has taken it a step further. The company operates in several jurisdictions, which reduces its regulatory risk considerably.

Furthermore, it's also well diversified in the utilities it provides, with water, gas, and electricity services.

Algonquin's utility business is great for defence. However, utilities tend to underperform the market during economic expansions.

This is where the integration of renewable energy-generating assets becomes crucial to the makeup of the company.

Top renewable energy stock on the TSX

With roughly two-thirds of Algonquin's business coming from utilities, the rest comes from its [renewable energy](#) assets. This is the perfect combination for Algonquin and gives the company a considerably long runway for growth.

Renewable energy has been and will continue to be one of the best growth industries for decades, as the world continues to fight climate change. Coal needs to be replaced, and besides that, the world continues to demand more energy.

So, for a TSX stock like Algonquin, having reliable operations that can continue to help fund the company's growth is a major advantage.

High-quality business

The last crucial factor in making Algonquin a stock worthy of a long-term investment is the company's financial position and strong management.

Management has made prudent decisions throughout the pandemic, most notably going ahead with the company's long-term capital plan.

A lot of that has to do with Algonquin's strong financial position and reliability of its earnings. The company has the cash flow to continue to pay investors with its 4.5% dividend as well as have cash left over to invest in new growth.

Bottom line

Renewable energy is one of the best industries to invest in for the long term. So, when you find a TSX

stock like Algonquin that can offer you this significant long-term growth while protecting your capital, it's a win-win situation.

That's why I never plan on selling Algonquin.

CATEGORY

1. Coronavirus
2. Dividend Stocks
3. Investing

TICKERS GLOBAL

1. NYSE:AQN (Algonquin Power & Utilities Corp.)
2. TSX:AQN (Algonquin Power & Utilities Corp.)

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